

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Trout Lake Township	County Chippewa
Audit Date 6/30/05	Opinion Date 9/12/05	Date Accountant Report Submitted to State: 12/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49780
Accountant Signature 		Date 12/6/05	

TROUT LAKE TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2005

TROUT LAKE TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

RONALD MCMILLAN

TOWNSHIP TREASURER

GRACE WATSON

TOWNSHIP CLERK

CRYSTAL WILLOBEE

TOWNSHIP TRUSTEE

ROBERT SIMPSON

TOWNSHIP TRUSTEE

EDSEL ROBINSON

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of and for the year ended June 30, 2005, which collectively comprises the Township's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 5 to the financial statements, management has not recorded certain general infrastructure and capital assets, and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Trout Lake Township, as of June 30, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Trout Lake Township, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

September 12, 2005

Basic Financial Statements

Trout Lake Township, Michigan

Statement of Net Assets June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 352,113
Taxes Receivable	4,574
Due from Other Units	1,231
Prepaid Expenses	12,983
Other Assets	<u>2,203</u>
 TOTAL ASSETS	 <u><u>373,104</u></u>
 NET ASSETS:	
Unrestricted	<u>373,104</u>
 TOTAL NET ASSETS	 <u><u>\$ 373,104</u></u>

Trout Lake Township, Michigan

Statement of Activities For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	Governmental Activities
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
General Government	\$ 80,420	\$ -	\$ (80,420)
Public Safety	4,011	-	(4,011)
Public Works	3,000	-	(3,000)
Health & Welfare	8,034	618	(7,416)
Recreation & Culture	27,741	48,320	20,579
Other Expenses	50,750	-	(50,750)
Total Governmental Activities	173,956	48,938	(125,018)
General Revenues:			
Taxes			62,997
State Revenue Sharing			31,455
Local - General			41,248
Investment Earnings (Loss)			5,898
Total General Revenues			141,598
Change in Net Assets			16,580
Net Assets - Beginning			356,524
Net Assets - Ending			\$ 373,104

Trout Lake Township, Michigan

Balance Sheet Governmental Funds June 30, 2005

	General Fund	Ambulance Fund	Fire Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Total Governmental Funds
ASSETS:						
Cash & Equivalents	\$ 288,184	\$ 23,997	\$ 18,286	\$ 8,035	\$ 13,611	\$ 352,113
Due from Other Funds	39,225	-	-	-	-	39,225
Taxes Receivable	-	2,287	2,287	-	-	4,574
Due from Governmental Units	501	-	-	-	-	501
Prepaid Expenditure	12,983	-	-	-	-	12,983
Other Assets	2,203	-	-	-	-	2,203
TOTAL ASSETS	\$ 343,096	\$ 26,284	\$ 20,573	\$ 8,035	\$ 13,611	\$ 411,599
LIABILITIES:						
Due to Other Funds	\$ -	\$ 14,917	\$ 20,573	\$ 3,005	\$ -	\$ 38,495
TOTAL LIABILITIES	-	14,917	20,573	3,005	-	38,495
FUND BALANCES:						
Unreserved:						
Undesignated	343,096	-	-	-	-	343,096
Designated	-	11,367	-	5,030	13,611	30,008
TOTAL FUND BALANCES	343,096	11,367	-	5,030	13,611	373,104
TOTAL LIABILITIES AND FUND BALANCES	\$ 343,096	\$ 26,284	\$ 20,573	\$ 8,035	\$ 13,611	
Net assets of governmental activities						\$ 373,104

See accompanying notes to financial statements.

Trout Lake Township, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2005

	General Fund	Ambulance Fund	Fire Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Totals Governmental Funds
REVENUES:						
Taxes	\$ 58,423	\$ 2,287	\$ 2,287	\$ -	\$ -	\$ 62,997
State Sources	32,487	-	-	-	-	32,487
Charges for Services	48,320	618	-	-	-	48,938
Interest & Rentals	5,545	349	165	30	160	6,249
Contributions	-	-	-	5,000	-	5,000
Other Revenue	2,668	220	-	-	-	2,888
TOTAL REVENUES	147,443	3,474	2,452	5,030	160	158,559
EXPENDITURES:						
General Government	80,420	-	-	-	-	80,420
Public Safety	1,450	-	2,561	-	-	4,011
Public Works	3,000	-	-	-	-	3,000
Health & Welfare	-	8,034	-	-	-	8,034
Recreation & Cultural	27,741	-	-	-	-	27,741
Capital Outlay	45,208	-	-	-	-	45,208
Other	5,542	-	-	-	-	5,542
TOTAL EXPENDITURES	163,361	8,034	2,561	-	-	173,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,918)	(4,560)	(109)	5,030	160	(15,397)
OTHER FINANCING SOURCES (USES):						
Other Revenue	31,977	-	-	-	-	31,977
Operating Transfer In	-	-	897	-	-	897
Operating Transfer Out	(897)	-	-	-	-	(897)
TOTAL OTHER FINANCING SOURCES (USES)	31,080	-	897	-	-	31,977
NET CHANGE IN FUND BALANCE	15,162	(4,560)	788	5,030	160	16,580
FUND BALANCES, JULY 1	327,934	15,927	(788)	-	13,451	356,524
FUND BALANCES, JUNE 30	\$ 343,096	\$ 11,367	\$ -	\$ 5,030	\$ 13,611	\$ 373,104

See accompanying notes to financial statements.

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 730</u>
 TOTAL ASSETS	 <u><u>\$ 730</u></u>
LIABILITIES:	
Due to Other Funds	<u>\$ 730</u>
 TOTAL LIABILITIES	 <u><u>\$ 730</u></u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trout Lake Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Trout Lake Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development, and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Trout Lake Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Trout Lake Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Trout Lake Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Trout Lake Township as of the preceding December 31st.

Although the Trout Lake Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Trout Lake Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Trout Lake Township totaled \$18,098,100, on which ad valorem taxes levied consisted of 1.5861 mills for the Township operating. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ambulance Fund

This fund accounts for Ambulance services to residence of Trout Lake Township.

Fire Fund

This fund accounts for fire services to residence of Trout Lake Township.

Building Fund

This fund accounts for the planning of the new Township Hall.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2005, however the budget was not formally approved by the Board. (See Note 8).

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 352,113	730
Total	<u>\$ 352,113</u>	<u>\$ 730</u>

The School District's deposits are located in one local financial institution. Deposits are carried at cost.

	<u>Insured</u>	<u>Uninsured</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits:				
Checking and Savings	<u>\$ 100,000</u>	<u>\$ 255,224</u>	<u>\$ 355,224</u>	<u>\$ 352,113</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

Credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$255,224 of the Township's bank balance of \$355,224 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

	General Fund	Ambulance Fund	Fire Fund	Total
Receivables:				
Taxes Receivables	\$ -	\$ 2,287	\$ 2,287	\$ 4,574
Due From Others	<u>501</u>	<u>-</u>	<u>-</u>	<u>501</u>
Net Receivables	<u>\$ 501</u>	<u>\$ 2,287</u>	<u>\$ 2,287</u>	<u>\$ 5,075</u>

NOTE 5 - CAPITAL ASSETS

The Township has not recorded Capital Assets. U.S. Generally Accepted Accounting Principles requires that governmental units record and depreciate capital assets.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS	
		General Fund	
DUE FROM OTHER FUNDS	Ambulance Fund	\$	14,917
	Fire Fund		20,573
	Building Fund		3,005
	Agency Fund		<u>730</u>
	Total	\$	<u>39,225</u>

Interfund Transfers:

		TRANSFERS OUT	
		General Fund	
TRANSFERS IN	Fire Fund	\$	<u>897</u>
	Total	\$	<u>897</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - CONTINGENCIES:

Risk Management – The Township of Trout Lake is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

NOTE 8- BUDGET VIOLATIONS:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government	\$ 62,470	\$ 80,420	\$ (17,950)
Capital Outlay	-	45,208	(45,208)
Other Expenditures	-	5,542	(5,542)
Ambulance Fund:			
Health and Welfare	3,800	8,034	(4,234)

Required Supplemental Information

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 54,000	\$ 54,000	\$ 58,423	\$ 4,423
State Sources	25,400	25,400	32,487	7,087
Charges for Services	2,500	2,500	48,320	45,820
Interest & Rentals	43,000	43,000	5,545	(37,455)
Other Revenue	3,182	3,182	2,668	(514)
TOTAL REVENUES	128,082	128,082	147,443	19,361
EXPENDITURES:				
General Government:				
Supervisor	3,950	3,950	3,927	23
Treasurer	4,500	4,500	4,243	257
Clerk	3,800	3,800	3,785	15
Trustees	1,800	1,800	1,894	(94)
Assessor	10,500	10,500	9,618	882
Board of Review	600	600	300	300
Township Hall	17,000	17,000	35,697	(18,697)
Elections	1,700	1,700	125	1,575
Insurance	12,000	12,000	13,329	(1,329)
Professional	5,300	5,300	7,502	(2,202)
Cemetery	1,320	1,320	-	1,320
Total General Government	62,470	62,470	80,420	(17,950)
Public Safety:				
Inspections	1,200	1,200	1,450	(250)
Total Public Safety	1,200	1,200	1,450	(250)
Public Works:				
Road Work	32,400	32,400	3,000	29,400
Total Public Safety	32,400	32,400	3,000	29,400
Recreation and Culture:				
Park	33,000	33,000	27,741	5,259
Total Recreation and Culture	33,000	33,000	27,741	5,259
Capital Outlay	-	-	45,208	(45,208)
Other Expenditures:				
Miscellaneous	-	-	5,542	(5,542)
Total Other Expenditures	-	-	5,542	(5,542)
TOTAL EXPENDITURES	129,070	129,070	163,361	(34,291)
EXCESS OF REVENUES UNDER EXPENDITURES	(988)	(988)	(15,918)	(14,930)

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Other Revenue	-	-	31,977	31,977
Operating Transfer Out	-	-	(897)	(897)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	31,080	31,080
NET CHANGE IN FUND BALANCE	<u>\$ (988)</u>	<u>\$ (988)</u>	15,162	<u>\$ 16,150</u>
 FUND BALANCE, JULY 1			<u>327,934</u>	
 FUND BALANCE, JUNE 30			<u>\$ 343,096</u>	

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,050	\$ 2,050	\$ 2,287	\$ 237
Charges for Services	1,000	1,000	618	(382)
Interest & Rentals	100	100	349	249
Other	100	100	220	120
TOTAL REVENUES	3,250	3,250	3,474	224
EXPENDITURES:				
Health and Welfare	3,800	3,800	8,034	(4,234)
TOTAL EXPENDITURES	3,800	3,800	8,034	(4,234)
EXCESS OF REVENUES OVER EXPENDITURES	(550)	(550)	(4,560)	(4,010)
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out	(2,000)	(2,000)	-	2,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,000)	(2,000)	-	2,000
NET CHANGE IN FUND BALANCE	<u>\$ (2,550)</u>	<u>\$ (2,550)</u>	(4,560)	<u>\$ (2,010)</u>
FUND BALANCE, JULY 1			15,927	
FUND BALANCE, JUNE 30			<u>\$ 11,367</u>	

Trout Lake Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule Fire Fund For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,050	\$ 2,050	\$ 2,287	\$ 237
Interest & Rentals	75	75	165	90
Contributions	9,500	9,500	-	(9,500)
TOTAL REVENUES	11,625	11,625	2,452	(9,173)
EXPENDITURES:				
Public Safety	11,450	11,450	2,561	8,889
TOTAL EXPENDITURES	11,450	11,450	2,561	8,889
EXCESS OF REVENUES OVER EXPENDITURES	175	175	(109)	(284)
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	-	-	897	897
TOTAL OTHER FINANCING SOURCES (USES)	-	-	897	897
NET CHANGE IN FUND BALANCE	\$ 175	\$ 175	788	\$ 613
FUND BALANCE, JULY 1			(788)	
FUND BALANCE, JUNE 30			\$ -	



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the financial statements of the Trout Lake Township for the year ended June 30, 2005, and have issued our reports thereon dated September 12, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Trout Lake Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Trout Lake Township's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trout Lake Township or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trout Lake Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of Trout Lake Township, for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Tax Collection Fund (prior comment)

The Township should record this as a standard accounting entry each year when the Township settles with the County. A corresponding cash transfer from the Tax Collection Fund deposit account to the General Fund cash account should also be made.

Status: Corrected.

Tax Collections (prior comment)

The Township did not disburse tax collections within 10 business days of collection. It is recommended the Township distribute tax collections to the appropriate local unit within the 10 business day disbursing requirement.

Investment Policy (prior comment)

The Township has not adopted an investment policy in accordance with Michigan Public Act requirements. We recommend the Township adopt an investment policy.

Capital Assets

The Township does not maintain a detail listing of its capital assets. The capital assets of the Township also are not recorded in the accounting records as required by accounting principles generally accepted in the United States of America. To strengthen control over the Township's capital assets and to be in compliance with GAAP, the Township should develop a current listing of capital assets. Each item on the list should be recorded at its historical cost or estimated cost (if historical cost cannot be determined) and depreciated over its useful life. Under GASB Statement No. 34, capital assets are required to be recorded. There should be determinable values of cost, accumulated depreciation, and current year depreciation expense.

Management's Discussion and Analysis

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Tax Receipts

Tax receipts are all coded to revenue currently. Only the township portions should be recorded in revenues. It is recommended that when entering tax receipts the treasurer should code that deposit against the due to other governmental units account. When depositing the Township portion, code this item to current tax revenue.

Opening Bank Accounts

A new bank account was opened during the year without board approval. The board should authorize any new accounts opened during the year.

Budget Violations

The Township Board did not adopt budgets for the General or Special Revenue Funds as required by Act 621 of 1978, Section 18, (1) as amended. It is recommended the Township adopt a budget for the General Fund and Special Revenue Funds on a functional level in order to avoid budget violations. A budget was provided to the auditors, but upon a review of the board minutes, the board never formally adopted it.

Conflict of Interest Policy/Competitive Bid Policy

The board should adopt a conflict of interest policy to provide a procedure to be followed when conflicts occur relative to voting on matters with related persons. A competitive bid policy should also be implemented with procedures to be followed when requesting bids for larger Township expenditures.

Accrual Basis of Accounting

Accrual accounting needs to be implemented into the accounting system to be sure all deposits/disbursements are posted in the period the income/expense was incurred.

Bank Deposits

The bank deposit slip should be completed by an individual independent of the individual who actually deposits the money into the bank. It is recommended that the individual opening the mail record each check received on a bank deposit slip. A separate individual should then take the deposit slip and checks/cash to the bank.

Petty Cash

It was noted that the petty cash fund at the ambulance is not recorded on the Township records. It is recommended the imprest amount (\$100.00) be recorded in the cash section of the general ledger. When the fund is replenished, the activity should also be recorded on the Township books.

Conclusion

We will review the status of these comments during our next audit engagement. The comments and recommendations have already been discussed with the Treasurer. We would be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information of the Board of Trustees, Trout Lake Township, management, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 12, 2005